

Recent Trends in Mutual Fund Industry in India

Amandeep Kaur* and Ramanjit Kaur**

* Commerce Department, Punjabi University, Patiala

* Guru Hargobind Sahib Khalsa Girls College, Karhali Sahib, Patiala

Abstract

The paper aims to study the recent trends in mutual fund industry in India. It is observed that mutual funds have become an important part of investment matrix. The present paper highlighted the growth of AUM and its composition by investors segments, category wise and cities wise over the past six years (from 2018 to March 2024), The AUM has shown a tremendous growth from Rs. 21,36,036 crore in 2018 to Rs. 53,40,195 crore in march 2024 at an 16.49 percent CAGR. Share of individual investors increase over the period of time and they prefer equity oriented schemes as compare to others schemes. In India, the mutual fund industry is expanding, but around 82 percent of AUM comes from T (top) 30 cities. As a result, there is a need to spread knowledge about mutual funds and develop marketing strategies for B30 cities.

Key Words

Mutual Funds, Growth, Assets under Management and Trends

INTRODUCTION

Savings is the surplus of income over expenditure and when we can invest our surplus income with the hope to generate more money it's called investment. Land, gold and livestock are some of the traditional options. With the development the investors have lots of opportunities and financial products choices. Having a lot of choices is good but it is also a difficult to select among of them.

There are large numbers of investment instruments available at this time like: fixed deposit, post office schemes, bonds, public provident funds, shares and real assets investment. Different investment avenues having

different characteristics. Some may provide liquidity but low return. Some investment provides high return but they are very risky while some may provide safety but have low return. Before choosing the right option of investment investors need to compare and evaluate them. But typical individual investors may not have skills and knowledge to evaluate the prospect and risk from the investment. It's also difficult for individual investors to keep track the ownership of his investment, assets, brokerage due and bank transactions. Mutual fund is the solution to all of these problems. Mutual fund is the ideal investment vehicle for modern and complex present financial scenario. It appoints the professional qualified and experienced staff on the full time basis that manages each of these functions. In effect mutual funds are developing economies of scale in three areas - research, investments and transaction processing.

CONCEPT OF MUTUAL FUND

- Mutual fund is collective investment vehicle who raising money from number of investors who share common financial goals.
- The money thus collected from investors is invested according to a pre - specified objectives in capital market instruments such as shares, debentures and other securities.
- The income earned and capital appreciation realized through these investments is shared among unit holders in proportion of units owned by them. So mutual fund is most suitable opportunity for common man to invest in a diversified, professional managed basket of securities at a relatively low cost.

MUTUAL FUND IN INDIA

Investment plays a very important role in the development of any economy. Efficient mobilization of savings into productive channels is most important for the health of economy. As an investment option, mutual funds can prove as one of the most effective mechanism for economic growth of the country. Success stories of many developed economies such as Australia and USA have crowned MFs to be one of the most effective investment vehicles to channelize savings into investment. In FY 2021 2.5 percent of the Indian population had invested in mutual funds compared to more than 46

percent in US. In India AUM to GDP ratio is 18 percent as compared to 120 percent in US and 81 percent in Canada (Patnaik N.). Mutual funds are very poorly penetrated in Indian market especially in tier II and tier III cities. SEBI introduced several progressive measures in September 2012 to "re-energize" the Indian Mutual Fund industry and increase mutual fund penetration outside the top cities. In India is not only poorly penetrated but is also concentrated at various layers such as particular cities, limited companies and specific class of investors handles majority of AUM (Mital B.). When concentration observed on the basis of states – 86 percent AUM contributed by eight states and union territories (Kumer 2018). When concentration is observed with respect of cities- Report of AMFI reveals that around 17 percent of AUM is contributed by B (Beyond) 30 cities. That means around 83 percent of AUM comes from T (top) 30 cities. This concentration is not just limited to cities but also in the segment of investors. According to report of AMFI issue at March 2022 retail investor only have 24.6 percent share of AUM and HNI (High Net Worth Individual) have 32.6 percent of total AUM rest of shares hold by institution investors. Mutual funds investment option is specifically designed for individual investor but the participation by this segment is very poor and the mutual fund is used by corporate to park their funds for get the tax benefits.

OBJECTIVE OF STUDY

- To study the recent trends of Assets under management in mutual fund industry
- To understand the AUM composition by investors segments and category wise.
- To study the AAUM composition by Geographical coverage (B30 & T30).

RESEARCH METHODOLOGY

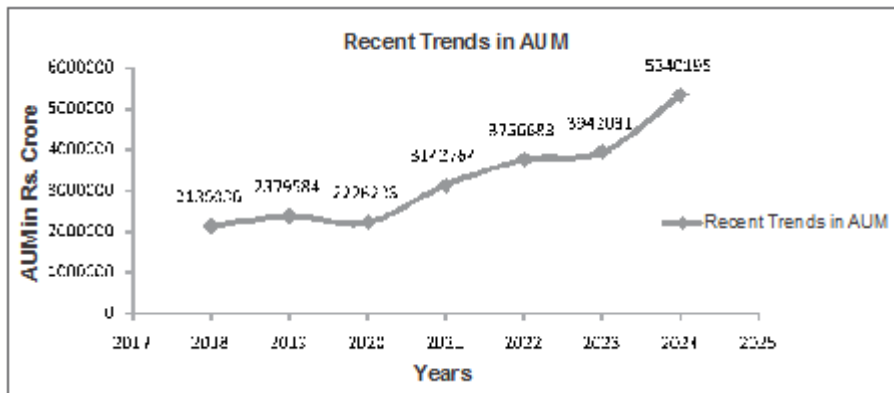
The study is descriptive in nature. It is based on secondary data includes books, journals, periodicals, publication of various mutual fund organisations, website of AMFI, website of SEBI, government publications and websites of various mutual fund companies.

ANALYSIS AND INTERPRETATION

Table 1
AUM of Indian Mutual Fund Industry

Year	AUM (Rs. in Crore)	Percentages
2018	21,36,036	—
2019	23,79,584	11.40%
2020	2,226,203	-6.440%
2021	31,42,764	41.17%
2022	37,56,683	19.6%
2023	39,42,031	4.93%
2024	53,40,195	35.46%
CAGR	—	16.49%

Source : www.amfiindia.com



Source : Table 1

Assets Under Management of Mutual Funds – AUM is the overall market value of assets that a mutual fund schemes holds. In simple term AUM is the money that invested and managed by fund manager on the behalf of the client/ Investors. The fund manager is responsible for makes all decision related to investment in securities, hold or distribution to investors. It becomes clear from table 1 that AUM of Indian mutual fund industry have Increased from Rs. 21,36,036 crore in march 2018 to Rs. 53,40,195 crore in march 2024 at a CAGR (compound annual growth rate) of 16.49 percent. As CAGR shows that Indian mutual fund industry produced impressive growth over these years. Mutual funds witnessed sharp increase in AUM after 2020; it's growing at a rate of

41.17 percent from 2020 to 2021 and rise 19.6 percent to reach Rs. 3756683 crore as against Rs.3142764 crore over the period of 2021 to 2022. Annually, AUM increased by 4.93 percent from 2022 to 2023 and 35.46 percent from 2023 to 2024. In December 2023, the AUM of the Indian Mutual Fund Industry crossed Rs. 50 lakh crore and in only three months, it crossed Rs. 53 lakh crore.

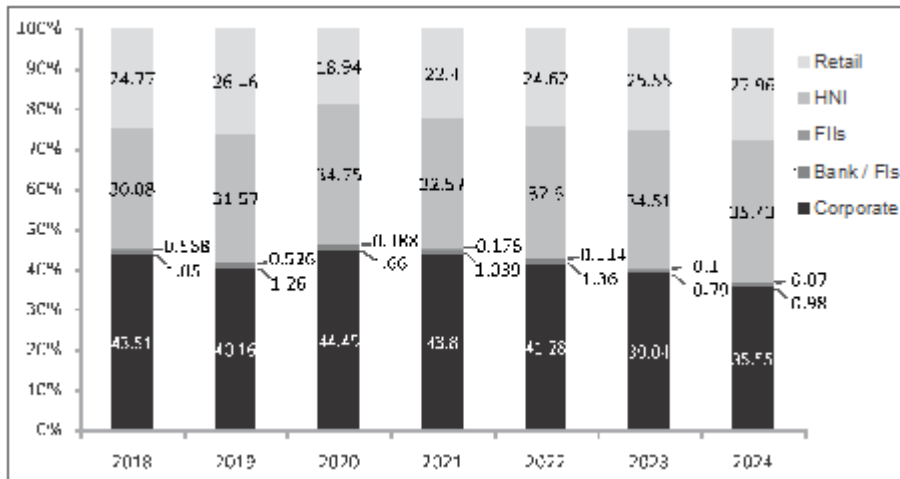
AUM Composition by Investors Segments

Table 2
AUM Composition by Investors Segments

Years	Corporate	Bank / FIs	FII	HNI	Retail
2018	9,29,428.48	22,590.45	12,152.43	642,565.4	529,299.04
2019	955,720.44	30,151.58	12,534.17	751,330.49	629,847.52
2020	989,548.93	37,039.68	4,207.21	773,633.3	421,773.74
2021	1,376,742.77	32,662.68	5,547.42	1,023,639.43	704,171.21
2022	1,550,938.44	51,423.88	4,300.83	1,224,835.06	925,184.36
2023	1,538,892	31,327.94	4,017.62	1,360,562	1,007,231
2024	1,898,473	52,444.63	3,884.16	1,892,261	1,493,131

Source : www.amfiindia.com

- Note :** 1. HNI (High Net worth Individuals)-who invest with ticket size of Rs.2 lakhs or above.
2. FIIs - Foreign Institutional Investors.



Source : Table 2

The investors segment divided into five categories namely : Corporate, Bank / FIs, FIIs, High Net worth individual and retail investors. Corporate investors constitute 43.51 percent of the AUM and followed by HNI (High Net worth individual) with 30.8 percent, retail (24.77 percent) and bank / FIs and FIIs (1.61 percent) as on March 2018. In 2024 corporate constitute 35.55 percent, bank / FIs hold 0.98 percent and FIIs contribute 0.07 percent of AUM, these institutional investors dominate debt- oriented schemes, liquid and money market schemes, ETFs and FOFs. Retail investors getting more and more interested in mutual funds, retail portion in AUM was 27.96 percent, this rise expected to driven by product penetration, greater distribution reach and increased investors awareness by 'mutual fund sahi hai' campaign and HNI contribute 35.43 percent in March 2024. Share of Individual Investors increase over the period of time 2018 to 2024 and they prefer equity oriented schemes as compare to others schemes.

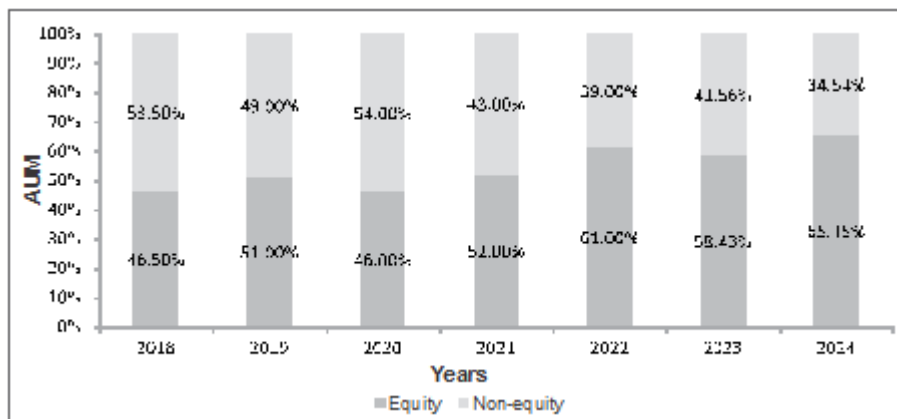
AUM Composition by Category Wise

Table 3

AUM Composition by Category Wise (Equity & Non-Equity)

Years	Equity	Non-equity
2018	9,93,344.64	11,42,691.14
2019	12,05,640.92	11,73,943.27
2020	10,18,640.13	12,07,562.73
2021	16,33,501.62	15,09,261.9
2022	22,82,563.98	1,47,411.59
2023	2,303,477.77	16,38,552.99
2024	34,95,531.51	18,44,663.21

Source : www.amfiindia.com



Source : Table 3

The proportionate share of equity schemes is 65.45 percent of industry assets in March 2024, up from 46.50 percent in March 2018 and proportionate share of non-equity schemes is now 34.54 percent of the industry's assets in March 2024, down from 53.50 percent in March 2018. Individual Investors preferred equity schemes and held 78 percent of their total assets in these schemes. On other hand, institutional investors prefer non equity schemes. In March 2020, equity held just 46 percent of AUM, while non equity contributes for 54 percent of AUM. Since then, equity AUM shows steady increase. Jayesh Faria, associate director, business at Motilal Oswal Private Wealth, says, "Covid-19 lockdowns and a low interest-rate scenario have also encouraged retail investors to start allocating their funds to equity.

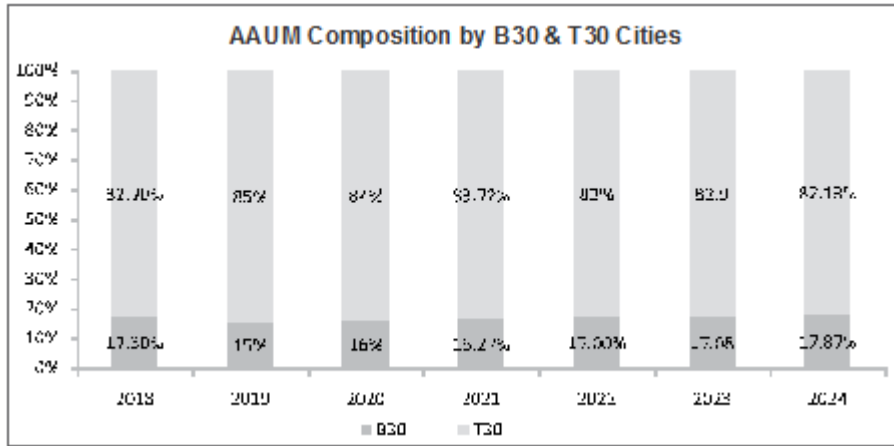
AAUM composition by Geographical Coverage (B30 & T30 Cities) : B30 (beyond 30) and T30 (top 30) concept introduced by AMFI with the view to increase the awareness and educate the investors in town other than the big cities. All cities of India divided into these two parts according to the contribution in AUM. SEBI Chairman Ajay Tyagi had directed mutual fund players to increase penetration in B30 cities. In April 2018 to encourage large inflows from B30 cities, the regulator authorities had allowed additional 30 basis expense ratio incentive to distributors (Buch H.).

Table 4

AAUM Composition by Geographical Coverage (Rs. in Crore)

Years	B30	T30
2018	402,443	1,918,324
2019	379,562	2,078,454
2020	384,959	2,085,923
2021	523,487	2,693,708
2022	624,367	3,145,928
2023	683,949	3,320,688
2024	982,728	4,518,000

Source : www.amfiindia.com



Source : Table 4

As Chart shows 17.87 percent of Assets in mutual fund comes from B 30 cities amounting to Rs. 982,728 crore as on March 2024, rising from Rs. 402,443 crore in March 2018. The assets from T30 stood at 4,518,000 crore as on March 2024, which accounts for 82.13 percent of total MF AAUM. T30 cities share in industry slips around to 82percent from 85 percent in 2024. As per AMFI Report on 31st March 2024 Mumbai remains largest contributor, garnering 27.92 percent share of overall AUM and followed by Delhi at 13.31 percent, Bangalore (5.51percent), Pune (4.04percent) and Kolkata (3.69 percent). Contribution from the b30 cities in total industry AAUM has remained at around 15 to 17 percent over last five years, but it growing at reasonable rate.

CONCLUSION

Historically, Indian investors have always preferred real estate, bank deposits and gold, but poor returns from these avenues have led to a shift in investor's preference towards mutual funds. Mutual fund industry is growing in India, but it's poorly penetrated and concentrated at various layers such as particular cities and specific class of investor handles majority of AUM. It concludes that T30 cities and institutional investors dominate the whole industry. So there is the need of spreading awareness and knowledge about mutual funds and develops marketing strategies for B30 cities. The limited distribution network and investor service can be expanded to reach beyond major cities. This will encourage investors to invest in mutual funds. The study suggested strong regulatory framework, increased innovation, improved investor services, liquidity

and higher returns could increase the popularity and investor friendliness of mutual fund schemes in India.

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